

APPENDIX A: STREAMLINED A-76 COST COMPARISON PROCESS AND ALTERNATIVE STRATEGIES

A.1 OVERVIEW

The OMB Circular Number A-76 *Supplemental Handbook* includes provisions that, in some situations, permit commercial activity studies to occur without conducting a cost comparison or for certain other situations, permit a streamlined cost comparison process. The elimination of the process or use of the streamlined cost comparison process applies to commercial activities for which adequate levels of service quality can be obtained at fair and reasonable prices without conducting the full cost comparison process described in the *Supplemental Handbook*. Generally, requirements for such commercial activities can be clearly defined, and if solicitations are issued, the use of sealed bidding and fixed price contracts is appropriate.

It should be noted that in addition to the requirements of the *Supplemental Handbook*, there are certain other statutory requirements that must be met to use the streamlined cost comparison process (e.g., Section 8015 of the Fiscal Year Appropriations). Legal counsel should be consulted prior to initiating a streamlined cost comparison to ensure compliance with all regulatory and statutory requirements. To use the streamlined cost comparison process, the Commanding Officer must certify that the current organization is the most efficient organization. This certification should be forwarded to the Congress by the CNO. Additionally, (Title 10 USC Sec.2461) requires that Congress be notified if functions involving more than 45 civilians are being considered for conversion to contract. The CNO announcement letter serves as initial notification but additional notification is also required upon reaching a tentative decision (Step 15) to convert the commercial activity to contract performance.

CO Tip: The streamlined cost comparison form for functions involving 46 to 65 civilian employees can be used, but the statutory requirements must be met in the process.

Sections A.2 through A.6 describe situations in which a cost comparison is not required if certain conditions are met. Section A.7 describes the conditions under which a streamlined cost comparison can be performed for commercial activities involving 65 or fewer FTE's. Under Part 1, Chapter 1 of the OMB Supplement to the A-76 Circular waivers are subject to administrative appeals. Federal employees adversely affected by a waiver are afforded the same personnel consideration as if the waiver had not been approved. In no case, shall any commercial activity be modified, reorganized, divided for the purpose of circumventing the requirements of a cost comparison, or other procedures of the OMB Supplement.

A.2 COMMERCIAL ACTIVITIES WITH 10 OR FEWER FTEs

- If the contracting officer determines that
 - (1) private sector performance of a commercial activity is unsatisfactory; or
 - (2) fair and reasonable prices cannot be obtained otherwise,activities with 10 or fewer FTE's may be converted from contract to in-house or ISSA performance without cost comparison.

(See *Supplemental Handbook*, Part I, Chapter 1, Section C, paragraph 6)

- If the contracting officer determines that
 - (1) offerors will provide required levels of service quality,
 - (2) at fair and reasonable prices,commercial activities with 10 or fewer FTE's may be performed in-house, by contract or by ISSA without cost comparison.

(See *Supplemental Handbook*, Part I, Chapter 1, Section D, paragraph 5)

A.3 COMMERCIAL ACTIVITIES WITH 11 OR MORE FTEs

Commercial activities may be converted to contract or Inter-Service Support Agreement (ISSA) performance without cost comparison if the contracting officer determines that:

- (1) fair and reasonable prices can be obtained through competitive award; and
- (2) all directly affected federal employees serving permanent appointments can be reassigned to other comparable Federal positions for which they are qualified.

(See *Supplemental Handbook*, Part I, Chapter 1, Section D, paragraph 6)

A.4 COMMERCIAL ACTIVITIES PERFORMED BY THE MILITARY

Activities performed by uniformed military service personnel may be converted to contract performance without a cost comparison if the contracting officer determines that

fair and reasonable prices can be obtained from qualified commercial sources. Such direct conversion must be authorized by the official in paragraph 9.a. of Circular A-76.¹

(See *Supplemental Handbook*, Part I, Chapter 1, Section D, paragraph 7)

A.5 PREFERENTIAL PROCUREMENT PROGRAMS

A commercial activity of any size that is performed by federal employees may be converted to contract performance without cost comparison—even if it results in adverse employee actions—if the contract is awarded to a preferential procurement source at a fair market price. At the agency’s discretion, a cost comparison may be conducted.

(See *Supplemental Handbook*, Part I, Chapter 1, Section D, paragraph 8)

A.6 INTERSERVICE SUPPORT PROVIDERS

- An organization or activity that is currently obtaining a commercial support service from another department or agency may, with proper notification, terminate that relationship and convert directly to contract performance without a cost comparison.

(See *Supplemental Handbook*, Part I, Chapter 2, Section B, paragraph 4)

- When an ISSA has competed its entire interservice support workload with private sector offerors/bidders, that ISSA provider may provide new or expanded interservice support work, of the same type, to other agencies, without further review or cost comparison. The ability to offer services without cost comparison will continue until the providing agency has increased its total workload by the lesser of

(1) the expansion requirements of the Supplement; or

(2) more than 65 FTEs are added to the in-house capability, at which time another full review or individual costs comparisons are required.

(See *Supplemental Handbook*, Part I, Chapter 2, Section B, paragraph 5)

A.7 STREAMLINED COST COMPARISON FOR COMMERCIAL ACTIVITIES WITH 65 OR FEWER FTE’s

¹ An official, designated by the agency head, at the assistant secretary or equivalent level and officials at a comparable level in major component organizations has responsibility for implementation of this Circular and its Supplement within the agency.

Overview

Chapter 5 of the Supplement provides procedures that may be used when the government determines that a simplified cost comparison will serve the equity and fairness purposes of Circular A-76 for the conversion of commercial activities to or from in-house, contract, or ISSA performance. This streamlined process is based on the assumption that the commercial activity under consideration is regularly performed by contract (fixed price) and that existing contracts can be used, with only minor modification, to define the scope of the competition and to avoid the need for the development of a new or original PWS or a formal solicitation.

The use of existing contracts as a model is intended to eliminate the need for the development of a new or original PWS. If certain conditions are met, the use of the streamlined cost comparison methodology may eliminate the need for a formal solicitation. If a solicitation is issued under these streamlined cost comparison procedures, there is a presumption that sealed bid solicitation procedures will be used.

The streamlined cost comparison methodology is limited to activities that meet the following criteria:

- (1) possible conversion to or from in-house, contract, or ISSA performance involving 65 or fewer FTE's;
- (2) activities based largely on a labor and material cost basis (e.g., custodial, grounds maintenance, refuse, pest control, warehousing, and maintenance services);
- (3) activities for which significant capital asset purchases are not required or for which all equipment required will be Government Furnished/Contractor Operated (GOCO); and
- (4) commercial activities that are
 - (a) commonly contracted by the government and/or private sector (if four or more comparable Navy contracts or ISSA agreements of the same general type and scope are not available, the generic cost comparison procedures must be followed), and
 - (b) the range of existing service contract costs is reasonably grouped.

No commercial activity may be modified, reorganized, divided or changed in any way for the purpose of circumventing the requirements of the Supplement.

Differences Between Generic and Streamlined Cost Comparison Methodologies.

Step 1. Plan for Commercial Activities (CA) Study

The planning step requires the additional consideration of whether the commercial activity meets the requirements for use of the streamlined cost comparison provisions.

Step 2. Develop PWS and QASP

If possible, adapt an existing PWS and QASP to avoid the need for developing a new or original PWS.

Step 3. Review and Revise PWS and QASP

Step 4. Obtain Higher Level Approval of PWS and QASP

Step 5. Conduct Presolicitation Actions

This step is not performed under the streamlined procedure.

Step 6. Prepare and Issue Solicitation

Under the streamlined procedures, the determination to solicit bids is made during Step 15 if the government's Adjusted Total In-House Cost Estimate is greater than the range of Adjusted Total Contract or ISSA cost estimates. Alternatively, the determination of whether a solicitation will be issued is made during Step 10 if four or more comparable agency contracts or ISSA's are not available.

Step 7. Develop the Management Plan

The government bases its in-house costs on the current organization which is assumed to be the MEO, and no management plan is required. Labor, material, overhead, and contract support costs are calculated in accordance with the provisions of the *A-76 Supplemental Handbook*.

Step 8. Receive Responses to Solicitation

Refer to Step 6 comments above.

Step 9. Perform Independent Review

The streamlined procedure requires an independent review to ensure that (1) the In-House Cost Estimate is in full compliance with the Supplement; and (2) the proposed organization is capable of performing the PWS.

Step 10. Evaluate Proposals

After receipt of the certified In-House Cost Estimate, the contracting officer develops a range of contract cost estimates based on not less than four comparable agency service contracts or ISSA's. Adjustments for differences in scope may be necessary. If four or more contracts or ISSA's are not available, the contracting officer may issue a solicitation for bids and the agency may conduct a cost comparison as otherwise provided in the *A-76 Supplemental Handbook*.

Step 11. Obtain Prenegotiation Clearance Approval

This step is not performed under the streamline procedure.

Step 12. Conduct Discussions With Offerors

This step is not performed under the streamline procedure.

Step 13. Obtain Final Clearance Approval

This step is not performed under the streamline procedure.

Step 14. Compare Government and Contractor Proposals

The contracting officer adjusts the range of estimated contract costs in compliance with the requirements of the Supplement's streamlined cost comparison procedures. The contracting officer then compares the Adjusted Total Cost of In-House Performance with the Adjusted Total Cost of Contract or ISSA performance.

Step 15. Select Best Value Offer

- If the government's Adjusted Total In-House Cost Estimate is greater than the range of Adjusted Total Contract or ISSA cost estimates, the contracting officer will announce a tentative decision to contract or enter into an ISSA.
- Upon notification of adversely affected federal employees and publication of the tentative decision in the *Commerce Business Daily*, the A-76 Administrative Appeal process is initiated.
- Administrative Appeal Authority (1) confirms all costs entered on the Streamlined Cost Comparison Form (SCCF); and (2) certifies that the contract and ISSA pricing adjustments made by the contracting officer are reasonable.
- Contracting officer issues a solicitation for contract or ISSA bid.

- Right-of-First-Refusal is offered to federal employees adversely affected by the award and who are not considered procurement officials under the terms of the *A-76 Supplemental Handbook*.
- If the government's Adjusted Total In-House Cost Estimate is below or within the range of Adjusted Total Contract or ISSA cost estimates, the contracting officer will announce a tentative decision that the activity will be performed in-house.
- Upon notification of adversely affected federal employees and publication of the tentative decision in the *Commerce Business Daily*, the A-76 Administrative Appeal process is initiated. No solicitation is issued.

Comparison of Generic and Streamlined Cost Comparison Processes

Step	Generic Cost Comparison	Streamlined (65 or Fewer FTE's)
1	Plan for CA Study	<ul style="list-style-type: none"> Verify that CA meets streamlined criteria
2	Develop PWS / QASP	<ul style="list-style-type: none"> Adapt existing PWS/QASP
3	Review PWS/QASP	<ul style="list-style-type: none"> Same as generic process
4	Obtain Approval	<ul style="list-style-type: none"> Same as generic process
5	Conduct Presolicitation Actions	N/A
6	Prepare and Issue Solicitation	<ul style="list-style-type: none"> Under streamlined process, this may take place at either Step 10 or Step 15
7	Develop Management Plan	<ul style="list-style-type: none"> No management plan Existing in-house costs and organization assumed to be MEO
8	Receive Contractor/Govt Response to Solicitation	<ul style="list-style-type: none"> Refer to Step 6
9	Perform Independent Review	<ul style="list-style-type: none"> Same as generic process
10	Evaluate Proposals	<ul style="list-style-type: none"> After receipt of In-House Cost Estimate, contracting officer develops range of comparable existing contracts If existing contracts not available, contracting officer issues solicitation and conducts generic cost comparison
11	Obtain Prenegotiation Clearance Approval	N/A
12	Conduct Discussions with Offerors	N/A
13	Obtain Final Clearance Approval	N/A
14	Compare Contractor Proposal with Government Proposal	<ul style="list-style-type: none"> Contracting officer compares adjusted cost of in-house performance with adjusted range of estimated contract costs (includes differential)
15	Select Best Value Offer	<ul style="list-style-type: none"> If in-house estimate is greater than the range of estimated contract/ISSA costs, tentative decision to contract announced If in-house estimate is below or within the range of estimated contract/ISSA costs, tentative decision to retain commercial activity in-house is announced

APPENDIX B: GLOSSARY AND ACRONYMS

A-76 Timeline: The Navy Outsourcing Support Offices 15-Step process, outlined in this Guidebook, for completing a CA Study within a 12-month period.

Acceptable Quality Level (AQL): A performance measure that is typically stated as an allowable variation from the PWS performance indicator.

Action Plan: A description of specific steps, including milestones, timelines, and data collection methodology to be performed during the CA Study.

Amendment: A change (correction, deletion or addition) to any information contained in an IFB or RFP (or previous amendment thereto). The amendment becomes part of the solicitation and any resulting contract.

Best and Final Offer (BAFO): In competitive negotiations, proposals prepared by offerors in the competitive range following completion of discussions and receipt of a written request for BAFOs from the contracting officer.

CA Team Leader: The person chosen by the Commanding Officer to lead the CA team

Commanding Officer (CO)

Commerce Business Daily (CBD)

Commercial activities (CA) study team

Commercial Activity (CA): A commercial activity is the process resulting in a product or service that is or could be obtained from a private sector source. Agency missions may be accomplished through commercial facilities and resources, Government facilities and resources or mixes thereof, depending upon the product, service, type of mission and the equipment required. this Circular and Supplement, to the cost of performance by commercial or ISSA sources.

COMPARE: U.S. Air Force software tool for completing the Cost Comparison Form.

Contract Discrepancy Report (CDR): A written report notifying a contractor that its performance is not in compliance with the standards in the PWS.

Contract Type (FAR 16.101): (1) The name of the compensation arrangement established by the terms and conditions of the contract, such as Firm Fixed Price, Fixed Price Re-determinable, Cost Plus Award Fee, Cost Plus Fixed Fee, or Cost Plus Incentive Fee. (2) The name of the ordering arrangement established by the terms and conditions of an indefinite delivery contract, such as Definite Quantity, Indefinite Quantity, or Requirements.

Contracting (FAR 2.1): The purchasing, renting, leasing, or otherwise obtaining supplies

or services from nonfederal sources.

Contracting Officer (FAR 2.1): An agent of the government with authority to enter into, administer, or terminate contracts and make related determinations and findings.

Cost Accounting Standards (CAS): Standards for the measurement, assignment, and allocation of costs to contracts with the United States. These standards are established by the Cost Accounting Standards Board and incorporated in Part 30 of the FAR and FAR Appendix B.

Cost Analysis (FAR 15.801): The review and evaluation of the separate cost elements and proposed profit of (a) an offeror's or contractor's cost or pricing data and (b) the judgmental factors applied in projecting from the data to the estimated costs in order to form an opinion on the degree to which the proposed costs represent what the cost of the contract should be, assuming reasonable economy and efficiency.

Cost Comparison Form (CCF): The form prescribed by OMB Circular A-76 and related Navy instructions for making adjustments to and comparing In-House Cost Estimates with contractor offers.

Cost Comparison: A process for determining whether it is more economical to acquire the needed products or services from a commercial source or from an existing or proposed in-house CA, following the procedures in OMB Circular A-76 and related Navy instructions.

Cost or Pricing Data (FAR 15.801): All facts as of the date or price agreement that prudent buyers and sellers would reasonably expect to affect price negotiations significantly. Cost or pricing data are factual, not judgmental, and are therefore verifiable. While they do not indicate the accuracy of the prospective contractor's judgment about estimated future costs or projections, they do include the data forming the basis for that judgment. Cost or pricing data are more than historical accounting data, they are all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and of the validity of determinations of costs already incurred.

Cost Realism Analysis: An analysis of cost proposals from offerors to (1) determine whether proposed costs realistically reflect the effort to accomplish the needed work and (2) estimate the most probable cost of performance if the proposed cost is not realistic.

Cost: The amount of money expended (outlays) in acquiring supplies or services. The total cost of an acquisition includes: The dollar amount paid to the contractor under the terms and conditions of the contract. Any direct costs for acquiring the supplies or services not covered in the contract price. Any cost of ownership not covered in the contract price. The Government's overhead for awarding and administering the contract.

Debriefing: Informing unsuccessful offerors of the basis for the selection decision and contract award. This information includes the government's evaluation of the significant weak or deficient factors in the offeror's proposal.

Directly Affected Parties: Department of Defense employees and their representative organizations and offerors/bidders on the solicitation.

Discussions (FAR 15.601): Any oral or written communication between the government and an offeror (other than communications conducted for the purpose of minor clarification) whether or not initiated by the Government, that (a) involves information essential for determining the acceptability of a proposal, or (b) provides the offeror an opportunity to revise or modify its proposal.

Elements of a Contract: Elements that must be present in a contract if the contract is to be binding. These include: An offer, acceptance, consideration, execution by competent parties, legality of purpose, clear terms and conditions.

Fair Price (see also reasonable price): From the perspective of a buyer, a fair price is a price that is in line with (or below) the fair market value of the contract deliverable (to the extent that fair market value can be approximated through price analysis). "Fair market value" is the price you should expect to pay, given the prices of bona fide sales between informed buyers and informed sellers under like market conditions in competitive markets for deliverables of like type, quality, and quantity. When data on probable performance costs are available, a separate test of "fairness" is whether the proposed price is in line with (or below) the total allowable cost of providing the contract deliverable that would be incurred by a well managed, responsible firm using reasonably efficient and economical methods of performance and a reasonable profit. From the perspective of a seller, a fair price is a price that is realistic in terms of the seller's ability to satisfy the terms and conditions of the contract.

Federal Acquisition Regulation (FAR): Uniform policies and procedures for acquisition by executive agencies. The FAR is jointly prescribed, prepared, issued and maintained by the Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration.

Firm Fixed Price Contract (FAR 16.202-1): A contract that established a price not subject to any adjustment on the basis of the contractor's cost experience in performing the contract.

Fixed Price Contract (FAR 16.201): A contract that establishes a firm price or, in appropriate cases, an adjustable price. Fixed-price contracts providing for an adjustable price may include a ceiling price, a target price (including target cost), or both. Unless otherwise specified in the contract, the ceiling price or target price is subject to adjustment only by operation of contract clauses providing for equitable adjustment or other revision of the contract price under stated circumstances.

Full and Open Competition (FAOC): Acquisitions in which all responsible sources are permitted to compete (although some sources may be excluded as provided in the FAR)

Full Time Equivalent (FTE)

Functional Manager: The most senior manager responsible for a specific function within the command. In many cases, the functional manager may be a senior manager.

General and Administrative (G&A): Expense (FAR 31.001) Any management, financial, and other expense which is incurred by or allocated to a business unit and which is for the general management and administration of the business unit as a whole. G&A expense does not include those management expenses whose beneficial or causal relationship to cost objectives can be more directly measured by a base other than a cost input base representing the total activity of a business unit during a cost accounting period.

Government Furnished Equipment (GFE)

Government Furnished Property: Property in the possession of, or directly acquired by, the government and subsequently made available to the contractor.

Human Resources Officer (HRO)

In-House Cost Estimate (IHCE): The government's cost estimate for the MEO performance of the requirements in the PWS.

Independent Review Official (IRO)

Indirect Cost (FAR 31.203): Any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective.

Indirect Cost Pools(FAR 31.001): Groupings of incurred indirect costs.

Indirect Cost Rate(FAR 42.701): The percentage or dollar factor that expresses the ratio of indirect expense incurred in a given period to direct labor, cost, manufacturing cost, or another appropriate base for the same period.

Interservice Support Agreements (ISSA): Agreement when the provider is another agency of the Government. The commercial activity is provided on a reimbursable basis.

Labor Costs: All remuneration paid currently or accrued, in whatever form and whether paid immediately or deferred, for services rendered by employees to the contractor during the period of contract performance. It includes, but is not limited to, salaries, wages, bonuses (including stock), incentive awards, employee stock options, stock appreciation rights, and stock ownership plans, employee insurance, fringe benefits, incentive pay, location allowances, hardship pay, severance pay, and cost of living differential.

Major Claimant: Commanding Officer's budget sponsor.

Management Plan: A plan that identifies the organizational structure, staffing and operating procedures required to perform the requirements of the PWS. The Management Plan includes the development of the following documents: Most Efficient Organization (MEO), In-House Cost Estimate (IHCE), Technical Performance Plan (TPP) and Transition Plan (TP).

Market Research(FAR 10.001): Collecting and analyzing information about the entire market available to satisfy minimum agency needs to arrive at the most suitable approach to acquiring, distributing, and supporting supplies and services.

Material Costs (FAR 31.205-26): These include the cost of such items as raw materials, parts, sub-assemblies, components, and manufacturing supplies, whether purchased or manufactured by the contractor, and may include such collateral items as inbound transportation and intransit insurance. In computing material costs, consideration shall be given to reasonable overruns, spoilage, or defective work (unless otherwise provided in any contract provision relating to inspecting and correcting defective work).

Method of Procurement: The process employed for soliciting offers, evaluating offers, and awarding a contract. In Federal contracting, contracting officers use one of the following methods for any given acquisition; Small Purchase Sealed Bidding; Negotiation; Two-Step Sealed Bidding.

Mock Reduction-in-Force (RIF): Performed to establish personnel baseline force structure and to support development of the Transition Plan.

Most Efficient Organization (MEO): The MEO refers to the Government's in-house organization to perform a commercial activity. It may include a mix of Federal employees and contract support. It is the basis for all Government costs entered on the Cost Comparison Form. The Most Efficient Organization (MEO) is the product of the Management Plan and is based upon the Performance Work Statement (PWS). The MEO reflects the proposed organization to perform the work specified in the PWS. A formal review and inspection of the Most Efficient Organization (MEO) should be conducted following the end of the first full year of performance. This post-MEO Performance Reviews confirm that the MEO has been implemented in accordance with the IHCE and the Management Plan.

Negotiation (FAR 15.102): (1) A bargaining process between two or more parties seeking to reach a mutually satisfactory agreement or settlement on a matter of common concern. (2) A method of procurement prescribed in Part 15 of the FAR that includes the receipt of proposals from offerors permits bargaining and usually affords offerors an opportunity to review their offers before award of a contract.

Offer: A legally binding promise made by one party to another to enter into a contractual agreement if the offer is accepted. In sealed bidding offers made in response to Invitations

For Bid (IFB) are called “bids”. In negotiated acquisitions, offers made in response to a Request for Proposals (RFP) are called “proposals.”

Office of Management and Budget (OMB)

Other Direct Costs (FAR Table 15-2): Costs other than direct labor, direct materials and indirect costs. Examples include special tooling, travel, computer and consultant services, preservation, packaging and packing, spoilage and rework and Federal excise tax on finished articles.

Outsourcing Support Office (OSO): (See Appendix E.)

Overhead: (See Indirect Cost).

Performance Specification: A purchase description that describes the deliverable in terms of desired operational characteristics. Performance specifications tend to be more restrictive than functional specifications, in terms of limiting alternatives which the Government will consider and defining separate performance standards for each such alternative.

Performance Work Statement (PWS): Describes the work to be performed, including results or outputs. The PWS is the basis for the resulting solicitation and the government’s proposal for performing the required work.

Preferential Procurement Program: Mandatory source programs such as Federal Prison Industries (FPI) and other small, minority/disadvantaged businesses, and labor surplus area set-asides and awards made under Section 8(a) of the Small Business Act.

Prenegotiation Review: Meeting between contracting officer, supervisor, and sometimes other Government representatives before negotiating with offerors. Purposes include corroborating price objectives, eliciting management guidance, and obtaining approval to proceed.

Price (FAR 15.801): (1) A monetary amount given, received, or asked for in exchange for supplies or services. (2) Cost plus any fee or profit applicable to the contract type.

Price Analysis (FAR 15.801): The process of examining and evaluating a proposed price without evaluating its separate cost elements and proposed profit.

Price Negotiation Memorandum: The document that tells the story of the negotiation. It is the document that establishes the reasonableness of the agreement reached with the successful offeror. It is also the permanent record of the decisions that the negotiator made in establishing that the price was fair and reasonable. Called the PNM.

Price Related Factor (FAR 14.201-8): When evaluating offers for award, any factor applied in identifying that offer which would represent the lowest total cost to the Government.

Proposal (FAR 31.001): Any offer or other submission used as a basis for pricing a contract, contract modification, or termination settlement or for securing payments thereunder.

Protest: A written objection by an interested party to a solicitation, proposed award, or award of a contract. Interested parties include actual or prospective offerors whose direct economic interest would be affected by the award of a contract or the failure to award a contract.

Public Affairs Officer (PAO)

Quality Assurance (QA): Functions, including inspection, performed to determine whether a contractor has fulfilled the contract obligations pertaining to quality and quantity.

Quality Assurance Evaluator (QAE): An individual responsible for evaluating the performance of work performed under a PWS.

Quality Assurance Surveillance Plan (QASP): Describes procedures the government will use to ensure that the actual performance of a successful contractor's proposal meets the requirements of the Performance Work Statement. The QASP also forms the basis for the Post-Most Efficient Organization Review, which is an evaluation of performance of commercial activities that are retained in-house.

Quality Control (QC): The process the contractor or MEO uses to ensure that their performance meets the quality standards specified in the PWS.

Quality: The extent to which the contract's deliverable satisfies the actual minimum needs of the end users.

Reasonable Price: (See also Fair Price) A price that a prudent and competent buyer would be willing to pay for the contract deliverable, given adequate data on (1) market conditions; (2) alternatives for meeting the requirements; (3) the evaluated price of each alternative for meeting the requirements; and (4) non-price evaluation factors (in "best value" competitions).

Request for Information (RFI)

Request for Proposals (RFP): The solicitation in negotiated acquisitions

Responsible Offeror (FAR 9.101): An offeror that meets the general and any special standards established under FAR 9.104. To be determined responsible under the general standards, a prospective contractor must:

- Have adequate financial resources to perform the contract, or the ability to obtain them;
- Be able to comply with the required or proposed delivery or performance schedule, taking into consideration all existing commercial and government business commitments;
- Have a satisfactory performance record;
- Have a satisfactory record of integrity and business ethics;

- Have the necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them (including, as appropriate, such elements as production control procedures, property control systems, and quality assurance measures applicable to materials to be produced or services to be performed by the prospective contractor and subcontractors);
- Have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them; and
- Be otherwise qualified and eligible to receive an award under applicable laws and regulations.

Senior Manager: Generally, managers at the level directly below the Commanding Officer and Executive Officer.

Service Contract (FAR 37.101): A contract that directly engages the time and effort of a contractor whose primary purpose is to perform an identifiable task rather than to furnish an end item of supply.

Should-Cost Analysis: Estimating what the cost of a contract should be, assuming reasonable economy and efficiency.

Should-Pay Price: The price that, in the contracting officer's best judgment, the Government should reasonably expect to pay for a deliverable based on the offers, historical prices (if any), commercial prices (if any), yardsticks (if any), and Government estimates (if any).

Solicitation: A document requesting or inviting offerors to submit offers. Solicitations basically consist of (a) a draft contract and (b) provisions on a preparing and submitting offers.

Source Selection (FAR 15.612): The process of soliciting and evaluating offers for award. Formal source selections usually involve the

- Establishment of a group (e.g., a Source Selection Board) to evaluate proposals.
- Naming of a Source Selection Authority, who might be the Commanding Officer, the requiring activity manager, or a higher level agency official, depending on the size and importance of the acquisition
- Preparation of a written source selection plan.

Source Selection Authority (SSA)

Source Selection Board (SSB)

Specification (FAR 10.001): A description of the technical requirements for a materiel, product or service that includes the criteria for determining whether the requirements are met.

Statement of Work (SOW): The complete description of work to be performed under the contract, encompassing all specifications and standards established or referenced in the

contract. The SOW constitutes Part C of the Uniform Contract Format. SOW differs from PWSs in that they are not performance oriented while PWSs are performance oriented.

Technical Leveling And Transfusion: Negotiation tactics prohibited under FAR 15.610. Technical leveling means helping an offeror to bring its proposal up to the level of other proposals through successive rounds of discussion, such as by pointing out weaknesses resulting from the offeror's lack of diligence, competence, or inventiveness in preparing the proposal. Technical transfusion means disclosing technical information supplied by one offeror (or otherwise pertaining to that offer) to other, competing offerors.

Termination for Convenience: Generally, the exercise of the Government's commercial right to completely or partially terminate a contract for the convenience of the Government.

Termination for Default: Generally, the exercise of the Government's contractual right to completely or partially terminate a contract because of the contractor's actual or anticipated failure to perform its contractual obligations.

Terms and Conditions: All language in a solicitation and contract, including amendments, attachments, and referenced clauses and provisions.

Timeliness: Delivery of requisitioned supplies to the end user in the quantity and at the time necessary for the end user's purposes, or performance or services at the time necessary for the end user's purposes.

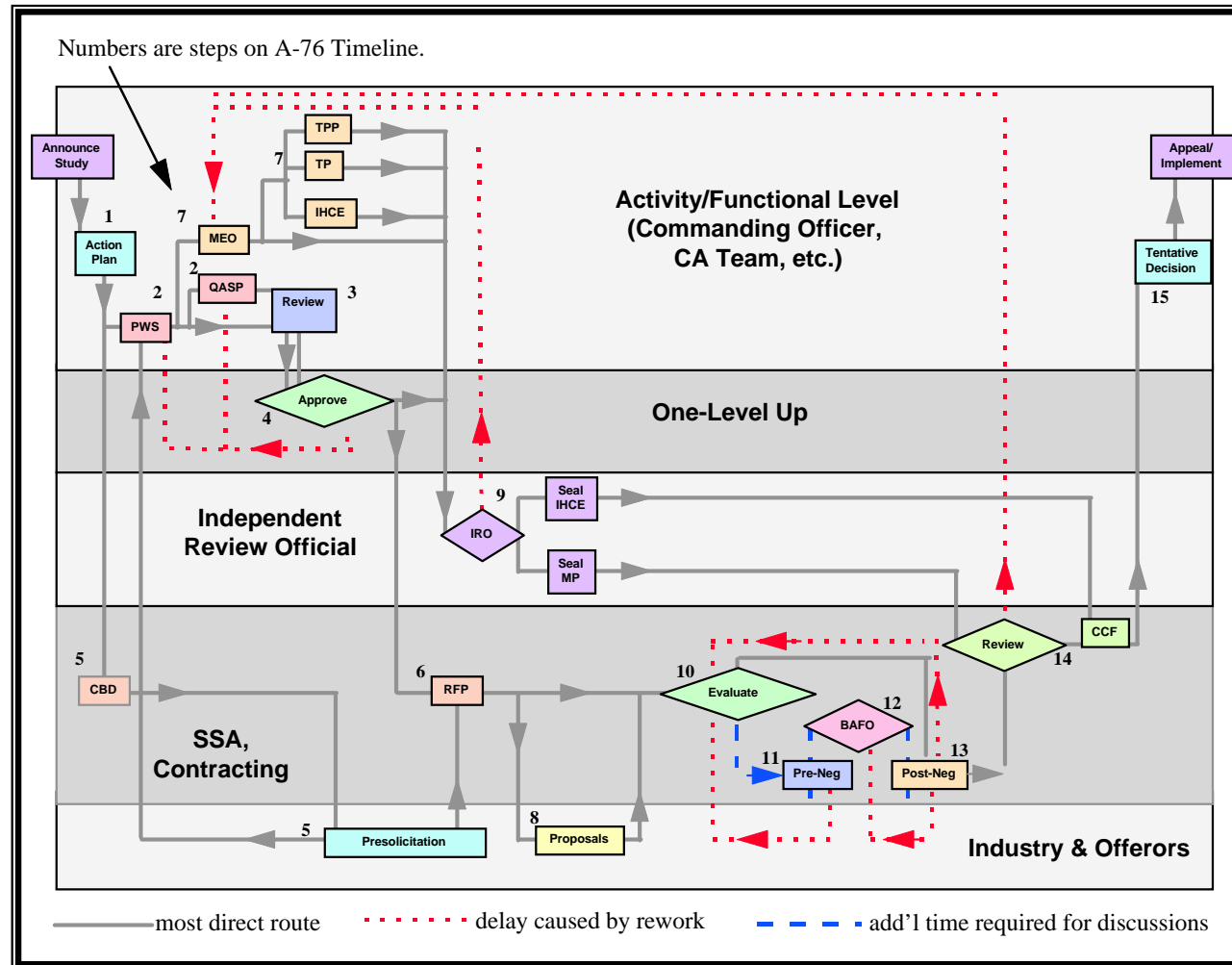
Transition Plan: Details the government's plan to implement the MEO.

APPENDIX C: CONTRACT TYPES AND FEATURES CHART

	Firm Fixed Price (FFP)	Fixed Price Award Fee (FPAF)	Indefinite Delivery (ID)	Fixed Price Econ Price Adjustment (FPEPA)
Used When	<ul style="list-style-type: none"> Requirement well defined Contractors are experienced Market Conditions are stable Financial risks are insignificant 	<p>Acceptance criteria are inherently judgmental with a corresponding risk that the end item will not be fully satisfied. Judgmental standards can be fairly applied by an award panel. The potential fee is large enough to:</p> <ul style="list-style-type: none"> Provide a meaningful incentive justify the administrative burdens of an FPAF 	<p>At the time of award delivery requirements are not certain. Use:</p> <ul style="list-style-type: none"> Definite quantity If required quantity is known & funded at time of award If the minimum is known and funded at award Requirements (if no commitment on quantity is possible at award) 	<p>The market price at risk are severable and significant. The risk inherent from industry wide contingencies are beyond the contractors control. The dollars at risk outweigh the administrative burdens of an FPEPA.</p>
Elements	Firm Fixed Price for each line item or one or more groupings of line items	<ul style="list-style-type: none"> A firm fixed price Standards for evaluating performance Procedures for calculating a fee based on performance against the standard 	<ul style="list-style-type: none"> Per unit price Performance period Ordering activities and delivery points 	<p>Fixed Price ceiling on upward adjustment and a formula for adjusting the price up or down based on:</p> <ul style="list-style-type: none"> actual prices Actual cost of labor or materials Labor or materials indices
Typical Application	Commercial supplies or services	Installation support services	Long term contracts for commercial supplies and support services.	Long term contracts for commercial supplies during a period of high

	Firm Fixed Price (FFP)	Fixed Price Award Fee (FPAF)	Indefinite Delivery (ID)	Fixed Price Econ Price Adjustment (FPEPA)
				inflation must be justified
Principal Limitation	Generally not appropriate for R&D	Must be negotiated	Per unit price may only be firm fixed price or catalog/market based. Under a Req. Contract must procure only from that contractor for this covered deliverable.	Must be justified.

APPENDIX D: CRITICAL PATH



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APPENDIX E: NAVY OUTSOURCING SUPPORT OFFICE

1. OVERVIEW

The Navy has embarked on an aggressive A-76 competition/outsourcing initiative which is expected to save \$1.4 billion by FY 2004. This savings wedge has already been taken as part of the DoN FY98-03 program. To achieve these savings, at least 80,000 full time equivalent positions (50,000 civilian and 30,000 military) will be studied. NAVFAC and NAVSUP have jointly established a Navy-wide Outsourcing Support Office (OSO) with existing resources to provide specialized OMB Circular A-76 competition and outsourcing expertise to field activities. This “virtual office” has a small core staff of NAVFAC and NAVSUP acquisition and functional experts located at NAVFAC HQ. In addition, most NAVFAC EFA/EFD and NAVSUP FISC organizations have a designated local outsourcing support coordinator (OSC) for regional Navy activities.

As part of the overall Navy outsourcing competition strategy, the OSO was established to assist field activities after major claimants select functions to be reviewed in the A-76 study process. This assistance consists of collecting and developing generic performance work statements and standard acquisition and source selection templates; administering contracts to provide on-site technical support; and developing a reproducible 12-month timeline—beginning with the announcement of the A-76 study and ending with the announcement of the tentative decision—during which the studies will take place.

2. MISSION STATEMENT

The OSO mission is to assist customers (claimants, Commanding Officers, program managers, contracting officers and others) with the identification and use of competitive opportunities and other alternatives to reduce infrastructure costs and obtain the best public or private source for a particular product or service.

3. WHAT THE OUTSOURCING SUPPORT OFFICE IS

The OSO is an in-house Navy technical consultant for activities undertaking A-76 studies. OSO provides a dedicated communications link to others working the same process. It is an additional resource of people and information and some direct support for activities. It is a clearinghouse for outsourcing information and a support network for the outsourcing competition process. Together with the regional outsourcing support coordinator, the OSO can provide process assistance and guidance where very little currently exists. New problems and solutions will occur resulting in a growing knowledge base which will be organized and then tapped for future use by anyone involved in the process. This synergism can be a very valuable resource and tool for those tasked to conduct A-76 studies.

4. WHAT THE OUTSOURCING SUPPORT OFFICE IS NOT

The OSO is not a part of the OPNAV policy structure although close liaison is maintained with the Navy's Outsourcing advocate, N47. It is not in the chain of command of activities undertaking A-76 competition studies. The office does not have a role in the selection of functions or activities to be studied. Nor is the office a Navy oversight inspection group for A-76 competitions or the outsourcing program. The office also is not a contracting organization with special contracting authorities. The current contracting authority of NAVFAC and NAVSUP are being used by the Navy to conduct these actions. Finally, the use of the tools, processes, templates, and procedures developed by the OSO is not mandatory for activities. However, these tools are within current directives and are designed to facilitate the process and result in a fairer and quicker study completion.

5. SERVICES PROVIDED

The central function of the OSO is to provide assistance to all activities in the development of outsourcing strategy development, function packaging assistance, benchmarking, private industry experience reviews, preliminary Performance Work Statements, Quality Assurance Plans, Source Selection Plans, Most Efficient Organizations, and in-house cost estimates, acquisition tools & templates, study assistance and information support. Much of this support is provided and coordinated through the Outsourcing Support Field Offices. The OSO provides training and support to the OSC's within these offices as well as developing and supporting a 12-month A-76 timeline within current authorities and guidance. This guidebook for conducting A-76 studies is one of the first products of the OSO.

6. OUTSOURCING SUPPORT FIELD OFFICES

Ten regional outsourcing support field offices have been established at major Navy concentration areas to support activities. These locations are:

Navy Outsourcing Support Field Offices

- Charleston, SC
- Great Lakes, IL
- Jacksonville, FL
- Norfolk, VA
- Pearl Harbor, HI
- Philadelphia, PA
- San Diego, CA
- San Francisco, CA
- Seattle, WA
- Washington, DC

These small field offices have been linked electronically with groupware and share a common lessons learned/reference library of process information. These offices are staffed with one or two OSC's. The OSC is the *single point of contact* to support activities conducting A-76 studies. They serve as an ombudsman, process facilitators, and problem solvers at the local level and are the main support contact for the local

activities. They are local consultants for the outsourcing process with a direct link to the OSO. They assist with the formulation of an on-site integrated process team (IPT) for the Commanding Officer of the activity to successfully complete the A-76 study within the 12-month timeline.

7. HOW TO CONTACT US

The OSO can be reached at:

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Mail:

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Alexandria, Va. 22332-2300

Internet Homepage:

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